

**U.S. Small Business Administration
West Virginia District Office**

320 West Pike Street, Suite 330
Clarksburg, WV 26301

Phone: 304-623-5631 or
1-800-767-8052 option 8
Fax: 304-623-0023
Email: wwinfo@sba.gov

Charleston Branch Office

405 Capitol Street, Suite 412
Charleston, WV 25301

Phone: 304-347-5220
Fax: 304-347-5350

West Virginia District Office Home Page:
www.sba.gov/wv

West Virginia Calendar of Events:
<http://app1.sba.gov/calendar/states/calendar.cfm?op=group&grp=72>

In this issue:

District Director Message	page 1
WV Capital Corporation	page 1
SBA's 50 th Anniversary	page 2
Disaster Mitigation	page 2
Small Business Week	page 3
E-Business Institute	page 3
Advocacy Web Page	page 3
Lenders Website	page 3
504 Loan Program	page 4

For More Information

- SBA Answer Desk:
1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-888-REG-FAIR
- SBA Home Page: www.sba.gov

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

Reasonable accommodations for the handicapped will be made by contacting us at 1-800-767-8052 ext. 8 in advance.

MESSAGE FROM WEST VIRGINIA DISTRICT DIRECTOR...MICHAEL J. MURRAY

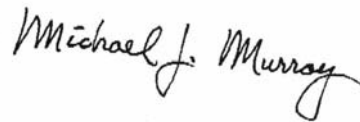
Access to capital is critical for small and emerging businesses. Unfortunately, many of these business owners have a very challenging time securing funding. Some small businesses resort to financing with credit card debt that leads them into a cash flow crunch, further exacerbating their chances of getting a commercial loan.

In some cases, lenders have provided home equity loans to prospective business owners. The problem here is that this is a personal loan and not a business loan. It does not show up on the businesses balance sheet, and can be a costly item to have a CPA correct later when preparing the businesses financial statements.

The SBA loan guaranty program through LowDoc, SBA Express and Community Express are excellent ways of helping small business customers secure the necessary capital while expanding the lender's market base. The SBA loan guarantee is for up to 85% on loans to \$150,000. The guaranty for loans in excess of \$150,000 is 75%.

In all cases, the lender is the focal point of loan underwriting and assesses the risk of all loans made in the bank's portfolio. SBA merely reviews the lender's paperwork and if it meets the eligibility criterion, it is approved for the loan guaranty.

Generally, emerging businesses need only small amounts of capital to get started. Making loans with an SBA guaranty makes good business sense for lenders and allows for loss mitigation. The loan guarantee helps the lender in assessing risk and where there is real collateral weakness, shore up the collateral shortfall. Most commercial loans have a collateral shortfall if the lender appraises the collateral at its liquidation or "forced sale" value rather than the market value. Here is where the SBA loan guarantee can assist lenders in providing the necessary capital for their commercial loan customers.



WV Capital Corporation to Manage 504 Program

The West Virginia Capital Corporation has entered into an agreement with the West Virginia Certified Development Corporation to manage SBA's statewide 504 loan program.

Under this program fixed interest rate, long term debentures may be used to provide partial financing of fixed assets needed by a small business. The commercial bank participating in the financing is able to secure their loan with a first lien on the assets financed and the debenture is secured by a second lien.

Questions regarding this program should be directed to Rob Neal, Executive Director of the West Virginia Capital Corporation, at 304-346-0437.

SBA Announces Plans to Mark Agency's 50th Anniversary

The U.S. Small Business Administration turns 50 this year, and in Washington, DC and dozens of cities across the country, the SBA will spotlight the entrepreneurial heroes who have started and grown small businesses as it marks this anniversary.

In addition to honoring 50 years of small business success, the agency is looking toward the future. At 10 public forums starting in October and ending in April, citizens will discuss the needs of small businesses and what the SBA can do to better assist them. The forums will be designed to listen to and record what American entrepreneurs find relevant.

"The President and I recognize the vital role small businesses play in creating opportunity for millions of Americans," said SBA Administrator Hector V. Barreto. "His small business agenda is designed to create an environment where entrepreneurship can flourish by providing small businesses with the information they need to succeed, saving taxpayer dollars by ensuring open competition to government contracts and tearing down regulatory barriers to job creation."

National recognition of the Agency's 50th anniversary kicks off August 1 at the Dwight D. Eisenhower Library and Museum in Abilene, KS, where the signing of the Small Business Act by President Eisenhower on July 30, 1953 will be commemorated.

"Since 1953, the SBA has helped more than 20 million Americans start, grow and expand their businesses placing more than \$170 billion in direct or guaranteed loans into the hands of entrepreneurs," said Barreto. "SBA's 50th anniversary gives us a perfect opportunity to reflect upon our history and to plan innovative methods to better serve America's entrepreneurs."

One of the cornerstone events of the 50th will be the National Entrepreneurial Conference and Expo, September 17-19 in Washington DC. During the

Conference, the National Small Business Person of the Year will be announced and a new "Hall of Fame," honoring the highest achievements in entrepreneurialism, will be inaugurated.

Representing West Virginia will be Parry Petroplus of Petroplus and Associates in Morgantown, the 2003 Small Business Person of the Year for West Virginia. Also representing West Virginia will be Diane Browning of Appalachian By Design in Lewisburg, the Regional and National Woman in Business Advocate.

While recognition is an important part of the event, there will also be opportunities for small businesses to conduct business by meeting potential clients at a national contracting matchmaking event.

Education seminars are also planned on topics ranging from access to capital, entrepreneurial development, importing and exporting, contracting, e-Government, regulatory relief, franchising and "Protecting Your Small Business."

The SBA's web site at www.sba.gov lists the 50th anniversary events and links to a registration site for the NECE conference in September. The site will be updated regularly with new event information. Region III's event will be held in West Virginia on March 8, 2004. Further details will be forthcoming.



Small Businesses Can Protect Themselves From Future Disaster Damage

Small business owners can apply for SBA **Pre-Disaster Mitigation** loans to cover the costs of protecting their business property from damages caused by future disasters.

The Pre-Disaster Mitigation Loan Program is a two-year initiative, available during fiscal years 2003 and 2004, which supports the goals of the Federal Emergency Management Agency's disaster mitigation program. Small businesses may borrow up to \$50,000 to protect their property by taking specific measures to prevent or mitigate disaster damage.

"Devastation from hurricanes and subsequent flooding can be extensive and costly," said SBA Disaster Area Director William E. Leggiero, Jr. "By taking valuable steps to protect your business now, you are not only protecting your livelihood, but also one of your community's most valuable assets. By elevating flood prone-structures, relocating utilities or installing tie-downs, a business owner can minimize losses that could occur when the next disaster hits."

Some examples of mitigation measures include constructing retaining walls, sea walls or retrofitting buildings to lessen damages caused by earthquakes, high winds, floods and other disasters. The business' proposed mitigation measure must conform to the goals of the mitigation plan for the community, as defined by FEMA, where the business is located.

Under this pilot program, applications can be accepted during the application filing period only, which begins June 16 and ends July 16, 2003. The interest rate is fixed at 2.953 percent, with loan terms up to a maximum of 30 years.

To download an application and to obtain more information about the Pre-Disaster Mitigation Loan program, visit SBA's disaster web site at www.sba.gov/disaster. Applicants can also contact the SBA disaster office at 1-800-659-2955.



Small Business Week Awards Luncheon

The annual Small Business Week Awards Luncheon was held on May 9 at the Days Inn Convention Center in Flatwoods honoring SBA's West Virginia 2003 Small Business Award Winners.

Parry G. Petroplus, president of Petroplus & Associates, Inc. in Morgantown was honored as West Virginia's 2003 Small Business Person of the Year. He will also be honored at SBA's National Entrepreneurial Conference & Expo that will be held on September 17-19 in Washington D.C.

Also recognized were nine other businesses and business advocates. Among those was Diane L. Browning, president of Appalachian By Design, Inc., of Lewisburg who was honored as Region 3 (comprised of Pennsylvania, Delaware, Maryland, Washington D.C., Virginia, & West Virginia) AND National Women in Business Advocate for 2003. Browning will also be honored at the NECE in September in Washington D.C.

Mark D. Burdette, interim president of KRO Productions, Inc. of Charleston was the keynote speaker.

SBA is also looking for nominations for the 2004 Small Business Week celebration. If you know of a deserving small business owner or advocate, contact Sharon Weaver of our office at (304) 623-5631 ext. 239 or via email at Sharon.weaver@sba.gov for a nomination packet or additional information.

SBA Launches Expanded Virtual Campus

The SBA recently introduced the new E-Business Institute, an expanded online training resource for small businesses.

The Institute is a virtual campus offering online courses, workshops, information resources, learning tools and direct access to electronic counseling and other forms of technical assistance.

As a one-stop learning portal, the E-Business Institute is like the hub of a wheel with many spokes-supporting many customers in many ways. Key features of the Institute include:

- More than 50 *free* online courses, workshops and electronic guides;
- Direct links to information about SBA training events all over the country;
- A virtual library with over 200 free E-books & publications, numerous prominent business magazines, national newspapers and links to the *best of the best* business resource sites around the country;
- Direct links to approximately 30 universities and colleges offering online business programs;
- Access to many powerful electronic resources for young entrepreneurs;
- Integration of SBA's online and other training resources, and;
- Availability of virtual workshops or web events that are industry specific and meet the day to day needs of small businesses.

Not only is the E-Business Institute a customer-focused vehicle for expanding electronic government, it is an important dimension in shaping SBA as *America's Small Business Home Page*. Check it out at www.sba.gov/training!

OFFICE OF ADVOCACY "REGULATORY ALERTS" WEB PAGE

Small business owners across the Mountain State now have a new tool to help them cut through the maze and confusion often created by the federal regulatory process. The Small Business Administration's Office of Advocacy recently launched the **Regulatory Alerts** web page. This new site provides users with one-stop access to proposed regulations, direct access to Office of Advocacy staff, links to other regulatory sites, and the ability to submit comments on proposed regulations.

The **Regulatory Alerts** page is located in the Office of Advocacy web site at www.sba.gov/advo. It divides the proposed regulations into easily understood subject areas. The Office of Advocacy encourages small businesses affected by proposed regulations to provide federal agencies issuing the regulations with their comments and objections. Small businesses can send their comments directly to the federal agencies through regulations.gov.

The Small Business Administration Office of Advocacy examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. For more information about the Office of Advocacy, visit the website at www.sba.gov/advo.

Lenders Web Site

ATTENTION LENDERS!

www.sba.gov/banking is the SBA website that contains information on SBA loan programs, SBA forms, Policy & Procedural Notices, SBA Regulations and Standard Operating Procedures. This area is intended to be a one-stop site for lenders; however, if you feel that other information is needed or know of something that would be beneficial to the lending community, please let us know.



2003 Small Business Person of the Year award luncheon.

L to R – Michael J Murray, SBA district director; Parry Petroplus, 2003 SBP for WV; Mark D. Burdette, luncheon speaker

Facts about the SBA 504 Loan Program

The 504 loan program continued to be actively used as a financing tool by West Virginia business during 2002. The West Virginia Certified Development Corporation (WVCDC) and the Ohio Valley Industrial & Business Development Corporation (OVICDC) saw a 62.5 percent increase in loan approvals over 2001, with an average loan approval of \$570,000.

There is an ongoing need by small business for long-term, fixed rate capital. The SBA 504-loan program offers 20-year and 10-year fixed rate financing for healthy, growing small businesses' plant acquisition or renovation and for machinery and equipment. The 504 program is small businesses "A Window to Wall Street." The interest rate offered borrowers is a very competitive, long-term fixed rate, enabling these small businesses access to capital in a competitive marketplace.

Small businesses can afford 504 loans because their typical 10 percent down payment helps the business preserve vital working capital. Few banks offer long-term (longer than 10 years) small business financing without a 25-40 percent down payment – a cash outlay that would cripple many small businesses, or significantly delay their business expansion.

SBA 504 loans are designed to help local economies – not just individual businesses. Small businesses that received SBA 504 loans must create jobs or retain jobs that would be lost and/or meet national public policy goals. In West Virginia, the 504 loan program has provided assistance in retaining or creating 500 full-time jobs in the past two and one half years.

In addition to helping small businesses access affordable, long-term fixed rate financing, the program:

Helps local economies. 504 loans result in real bricks and mortar growth of local businesses-leading to more jobs in the community and increases in the local tax base.

504 is self-funding. The SBA 504 loan program receives no appropriation. It is self-supporting through fees paid by WVCDC, OVICDC, and other Certified Development Corporations around the country, first mortgage lenders and borrowers. Through private sector funding, no loan losses are borne by U.S. taxpayers.

504 is an excellent example of public-private partnership. Through creating an attractive financing vehicle for banks as well as borrowers, the program helps private sector lenders provide more essential capital to help more local businesses than the lenders could do on their own.

- The purpose is to provide affordable long-term, low down payment, subordinated fixed-asset financing for small businesses to expand their operations
- Interest rate is reasonably priced and fixed for the life of the 504 loan
- The 504 Loan Program gives businesses access to financing which will increase productivity, create or retain new jobs and benefit their local economy
- 504 Program funds loans through the sale of debentures to private capital markets

Who is an Eligible Borrower?

- Existing, for-profit businesses with a net worth of less than \$7 million and net profits after taxes (PAT) averaging less than \$2.5 million the last two years
- Businesses that demonstrate the need for desired financing
- No passive investment companies
- The business must occupy at least:
 - 51% of building space (if existing building)
 - 60% of building space (new construction) immediately and up to 80% within 3 years. Allowed to lease out long-term 20% of the space to a third party

- Business must create or retain one job for every \$35,000 of Debenture funds.

Benefits to Lenders

- First mortgage on real estate! – low collateral risk – 50% LTV
- Fixed market interest rate for 504 portion which increases borrower's repayment capacity – lower credit risk
- Participate in projects that might normally exceed your lending limits
- CRA credit
- Bank first mortgage may be sold to national buyers
- Mitigate risk return to shareholders

Benefits to Borrowers

- Low Down Payment * usually 10%-20%
- Preserves working capital for expected growth
- Fixed interest rate on 504 portion of loan-that can usually help with a more favorable third party lender loan
- Long term financing
- Collateral limited to project assets in many (not all) cases
- In "credit crunch" – getting a loan at all

Benefits to Local Economy

- Jobs creation or retention
- Outside capital investment, tax base increase
- Stimulation of other development
- Greater access to capital for "underserved" markets

Contact the WVCDC (304-558-3691) or OVICDC (304-232-7722) with potential 504 loan projects, so that program eligibility as well as eligible loan costs and structure can be identified.